

## INSTRUCTIONS FOR SMALL BUSINESS NEGOTIATION SUPPORT MEMORANDUM

### A. GENERAL INFORMATION

1. Record the date of the subcontracting plan and the total subcontracting amount.
2. Date of the revised/updated plan due to modifications or decrease in scope of work and the dollar value of the action.
3. Type the regulation that gives the administration agency authority to negotiate.
4. Specify plan type (plant, division or corporate).
5. Specify DCMA activity responsible for DIOR input.

### B. MAJOR PROGRAMS COVERED BY COMPREHENSIVE PLAN

6. List Major Programs covered by plan.

### C. ANALYSIS OF SUBCONTRACTING PLAN

7. **Analysis of each element of FAR 19.704 (Please note that analysis of each paragraph below is required).**
  - (1) *Goals, expressed in terms of percentages of total planned subcontracting dollars, for use in all the small business categories:* Comparison of past performance available from DIOR. Improvement factors should be applied to a 5 year average.
  - (2) *A statement of total dollars in all categories planned to subcontract, is a review of the dollars expected to spend to support service acquisitions:* Familiarity with the contractors' products, expected awards, and decrease in scope of work helps understand any increase or decrease to the dollars committed to the subcontracting program.
  - (3) *An **analysis** of the principal types of supplies and services to be subcontracted.* Does the contractors take into consideration all possible products and services available for subcontracting opportunities?
  - (4) *An **analysis** of the method used to develop the subcontracting goals:* Does the contractor identify all the dollars within their purchasing power to include in the subcontracting total and in each small business category. Contract awards, modifications or renewals need consideration before determination is made on whether or not goals are adequate, too high or too low. Look in depth into PCO type reductions in quantity requirements or change in the scope of work. Either of these types of changes would reduce subcontracting efforts. Review company status in terms of mergers and acquisitions, in which case both companies' performance require thorough analysis.
  - (5) *An **analysis** of the method used to identify potential sources for solicitation purposes.* How is the SBLO locating small businesses for the types of products they supply? Does the plan include a marketing method that advises the small business community that they are seeking suppliers for particular parts? Where will they advertise solicitations? Many companies will use in-house suppliers. How often the in-house vendor list updated to add new vendors to the rotation? Most often the plan will use SBA Pro-Net, and supplier catalogues. Whatever the method, it should be verified upon a site visit; the buyers' workstation should show the method in practice, not just by word of mouth from the SBLO.
  - (6) *A statement of whether or not the offeror included indirect cost in establishing subcontracting goals and a description of the method used to determine the proportionate share of indirect cost to be incurred:* A mathematical equation is expected for the method to show proportionate share. The indirect cost is usually a percentage of the total based upon the value of the direct cost.
  - (7) *The name of the individual employed by the offeror who will administer the subcontracting program and a description of their duties:* Does the plan outline the contractor's small business program company administration? Does the SBLO have authority to engage in formal agreements? An organization chart would give a good picture of the SBLOs link to the President or at least the layers of management in between.
  - (8) *An **analysis** of the efforts the offeror will make to assure that all categories of small*

*business concerns have an equitable opportunity to compete for subcontracts:* How does the plan address these efforts? This could be a number of outreach events planned. If so, there should be a milestone to identify when these events will occur and what the target category will be and why. If the method of solicitation will be a set-a-side, what category will be targeted and why, will all categories rotate through a set-a-side procedure? Will debrief occur when a potential supplier does not receive award? This type of effort helps the unsuccessful vendor learn how to better compete next time.

- (9) *Assurance that the offeror will include the clause of this contract entitled "Utilization of Small Business Concerns" in all subcontracts that offer further subcontracting opportunities...* Does the contractor have a "flow down clause"? It has been very controversial over the years and notice the FAR language has changed. It's now two-fold. Part one ask for assurance, Part two ask for a subcontract plan from the first tier subcontractor that receives an award \$500,000 or greater (1M for construction). Does the plan describe how the offeror will manage it's subcontractor at the first tier and identify them if they know who may be a major sub contractor or joint partner? Does the contractor explain how they plan to assure that their first tier subs are actively pursuing small business vendors in all categories?
- (10) *Assurances that the offeror will cooperate in any studies or surveys, submit periodic reports; submit SF 295s and ensure their subs will submit SF 294/295s:*  
Again this is a subcontract management issue; the plan should address what process the offeror has in place to track the compliance of their subcontractors.
- (11) *An **analysis** of the types of records that will be maintained concerning procedures that have been adopted to comply with the requirements and goals in the plan...*  
Does the plan address policy and procedures for the buyers that spell out which documents really need to be maintained to remain compliant with the FAR. Some type of standard operating procedures should be available for the buyers or training conducted on company processes to represent an understanding of the requirements by all employees participating in the success of the small business program.

## **8. Analysis of Contractors Past Performance**

Analyze the contractor's past performance against negotiated goals. Are goals met? Does the contractor show improvement from previous years? Look at the 5 year average for trends. If performance is not being met, are there root cause or unique conditions creating this impact? How has the contractor mitigated the negative impact on goals

- 9. Assure Mentor Protégé Program is maximized.** Analyze whether the contractor is taking full advantage of the Mentor-Protégé Program. Are new agreements being established on a regular basis? Has the contractor proposed the appropriate number of Mentor-Protégé agreements? Are there funding issues? Verify funding limitations that limit the contractor's ability to obtain agreements. Have protégé companies received new business as a result of participation in this program?

## **10. Analyze Target Categories**

Evaluation of target categories involved by reviewing whether or not the selected commodity codes are the company's weakest category for subcontracting. Review whether the previous year's commodity goals were achieved. Question how the target category will be improved a match it to a milestone to measure improvement methods.

## **11. Contractor Program Management**

Analyze contractor's management of significant programs (*such as Management of subcontracting program, purchasing, make-or-buy policy or program etc.*) Are goals tied to performance evaluations? Is management involved in the goal process and supportive of the SBLO's initiatives? Is the plan adhered to or revised when needed, particularly when a modification is received greater than \$500,000?

- 12. Other Matters:** Decreased requirements, source directed, FAR 19.705-4 (1) Previous involvement of small business concerns as prime contractors or subcontractors in similar acquisitions; (2) Proven methods of involving small business concerns as subcontractors in similar acquisitions.

#### **D. NEGOTIATION OBJECTIVES**

- 13. Goal Objectives:** Show individual goals in tabular format. Complete chart. Note: The Program Manager will show the proposed goals of the contractor and the recommended goals they have adopted for negotiation.
- 14. Synopsis of Proposed Subcontracting Objectives:** Justifications for goal values should be discussed in appropriate depth. What is "appropriate" will vary depending upon the nature of the acquisition and other impacting factors.
- 15. Overall Determination (Realistic & Challenging):**  
Include comments on plan content overall. Are goals realistic and achievable? Do initiatives show good faith efforts? Is there an improvement over last year? Provide clarification, if applicable, as to why reviewer comments were not incorporated into the final plan.

#### **E. JUSTIFICATION FOR CONTINUATION OR NOTICE PROCEEDINGS**

- 16.** Is the contractor performing in accordance with DFARS 219.7? Your comments should address DFARS clauses 219.702(a), 219.705-4 and 252.219.7004(b). The purpose of the program is to increase subcontracting opportunities for Small Business. If performance does not reflect increased opportunities for small businesses, then serious consideration should be given to placing the contractor on notice after assessment of performance. What improvements have been made to the contractors program that ensures negotiated goals will be met? Identify the corrective action plans the contractor stated in the prior years subcontracting plan for the improvement of performance. If performance does reflect increased opportunities, state what they are and the milestones associated with them. The Program is only for contractors with a record of past achievement or potential for future performance. Give specific details on why the contractor should remain in the program or why participant should be placed on notice.

#### **F. EXHIBITS**

- 17.** Attach all the exhibits to this Negotiation Support Memorandum as reference material.

#### **G. SUBCONTRACT PLAN REVIEW/APPROVAL: 18.** Identify members who reviewed the plan.

- 19.** Name and title of the Reviewer at the service activity: Army, Navy, Air Force, etc
- 20.** Name, title and initials of the DCMA Small Business Center Program Manager
- 21.** Name, title and initials of the DCMA Small Business Center Comprehensive Plan Division Chief.
- 22.** Name, title and initials of the DCMA Small Business Center Director
- 23.** Name, title and initials of Reviewer at the Defense Contract Management Agency HQ – OCA POC
- 24.** Name, title and signature of the Program Manager
- 25.** Name, title and signature of the Center Director